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ACTION EB-07

INFO OCT-01 ISO-00 FEA-01 AGR-05 CEA-01 CIAE-00 COME-00

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NSC-05 PA-01 AID-05 CIEP-01 SS-15 STR-04 TAR-01

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R 101910Z APR 75

FM USDEL MTN GENEVA

TO SECSTATE WASHDC PRIORITY 50

INFO AMEMBASSY BELGRADE

AMEMBASSY BERN

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AMEMBASSY BRASILIA

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PASS STR

E.O. 11652: NA
TAGS: ETRD, GATT
SUBJ: MTN: SECTORS GROUP MEETING

1. SUMMARY: TNC "SECTORS APPROACH" GROUP MET APRIL 7-9 TO EXAMINE POSSIBILITIES FOR COORDINATED REDUCTION OR ELIMINATION OF ALL TRADE BARRIERS IN SELECTED SECTORS AS COMPLEMENTARY NEGOTIATING TECHNIQUE (TOKYO DECLARATION PARA 3(C)). GROUP AGREED (OVER STRENUOUS OPPOSITION OF EC AND, INITIALLY NORDICS AND JAPAN) TO HAVE SECRETARIAT COMPILE AND PRESENT RELEVANT TRADE/ECONOMIC DATA FOR ONE MAJOR SECTOR: GATT TARIFF STUDY SECTOR 08 (ORES, METALS, METAL PRODUCTS) WHICH INCLUDES IRON/STEEL AND ALUMINUM (TWO OF FIVE SECTORS SOUGHT BY US), AND METALS REQUESTED BY CANADA (E.E., COPPER, NICKEL, LEAD AND ZINC). STUDY WILL NOT CONTAIN NEGOTIATING HYPOTHESES. STUDY WILL BE COMPLETED BEFORE NEXT GROUP MEETING JULY 1. US RECEIVED NO RPT NO SUPPORT FOR STUDY OF CHEMICALS, ELECTRONICS AND HEAVY ELECTRICAL EQUIPMENT. END SUMMARY.

2. MEETING AGENDA INCLUDED (1) ELECTION OF CHAIRMAN AND (2) MORE PRECISE INDICATIONS BY DELS OF POSITIONS RE SECTOR APPROACH. AS STRUCTURED IN ADVANCE, MINISTER TOMIC OF YUGOSLAVIA WAS ELECTED CHAIRMAN. REMAINING DISCUSSION FOCUSED ON APPROACHES BY VARIOUS DELS TO BEST METHODS OF EXAMINATION OF SECTOR APPROACH.

3. DELEGATIONS INITIAL VIEWS FELL INTO FOLLOWING
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HIGHLY-NUANCED GENERAL CATEGORIES: (1) THOSE FAVORING INITIAL EXAMINATION OF SELECTED SECTORS WITHOUT COMMITMENT TO WHETHER NEGOTIATING APPROACH TO BE APPLIED TO THOSE SECTORS (US, CANADA, AUSTRALIA, SOME LDCS, NOTABLY PAKISTAN, MEXICO, INDIA AND KOREA); (2) THOSE FAVORING A PILOT EXAMINATION OF ONE OR, AT MOST, TWO SECTORS (NEW ZEALAND, BOLIVIA); (3) THOSE OPPOSED TO DOING ANY SECTOR STUDIES AT THIS TIME

(EC, JAPAN, SWITZERLAND, NORDICS, AND, SURPRISINGLY, SOME LDCS -- ARGENTINA, BRAZIL). THE LAST GROUP WAS INSISTENT THAT ANY WORK ON SECTORS AWAIT PROGRESS IN THE TARIFF AND NTM GROUPS.

4. US (MCNAMARA), FOLLOWING GUIDELINES OF TSC 75-9, EMPHASIZED BOTH NEED GIVE CAREFUL ATTENTION TO RELATIONSHIP OF GENERAL NEGOTIATING RULES ON TARIFFS, NON-TARIFF MEASURES AND SAFEGUARDS TO PROBLEMS IN PARTICULAR SECTORS AND US LEGISLATIVE MANDATE TO ACHIEVE COMPETITIVE OPPORTUNITIES FOR US EXPORTS EQUIVALENT TO OPPORTUNITIES IN US MARKETS AND TO EXAMINE FEASIBILITY OF SECTORAL APPROACH. WHILE US CONSIDERED THAT THIS EXAMINATION REQUIRED A FURTHER DISCUSSION OF GENERAL ISSUES OF SECTORAL NEGOTIATIONS (CONTAINED IN SECRETARIAT PAPER MTN/3C/1), US STATED THAT SECTORS GROUP SHOULD ALSO FOCUS ATTENTION ON SEVERAL SPECIFIC MAJOR SECTORS IN ORDER TO ENHANCE SUCH EXAMINATION. US PROPOSED STUDY OF IRON/STEEL, CHEMICALS, ALUMINUM, ELECTRONICS, AND HEAVY ELECTRICAL EQUIPMENT. US DEL STATED THAT NO COMMITMENT FOLLOWED AS TO POSSIBLE FUTURE APPLICATION OF SECTORAL APPROACH IN PRODUCT SECTORS EXAMINED, AND US VIEWED SECTOR NEGOTIATIONS AS COMPLEMENTARY TO GENERAL APPROACHES ON TARIFFS AND NTMS (BOTH VIEWS ECHOED BY ALL OTHER DELS).

5. CANADA (CLARK), SPEAKING FIRST, STATED POSSIBLE VALUE OF SECTOR NEGOTIATIONS AS MANS OF HANDLING SPECIAL PROBLEMS (TARIFF ESCALATION, DISPARITIES) AND ACHIEVING GREATER TRADE LIBERALIZATION THAN GENERAL APPROACHES. TO EXAMINE THIS, CANADA FAVORED STUDY OF SPECIFIC CASES, SUGGESTING WOOD AND WOOD PRODUCTS, LIMITED OFFICIAL USE

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COPPER, ZINC, LEAD AND NICKEL FOR STUDY. STUDY WOULD INCLUDE EXAMINATION OF VARIABLES SIMILAR TO THOSE DESIRED BY US (E.E. TARIFF PROFILES, NTMS, TRADE, PRODUCTION, DEMAND AND SUPPLY), BUT STUDY WOULD ALSO APPLY AN ILLUSTRATIVE GENERAL TARIFF NEGOTIATING HYPOTHESIS IN THESE SECTORS TO VIEW IMPACT ON TARIFFS, ESCALATION, ETC. (HYPOTHESIS: US CUT BASED ON FULL TRADE ACT AUTHORITY WITH OTHER COUNTRIES HARMONIZING ON NEW US RATES). LATTER SUGGESTION OPPOSED BY US AND ALL OTHER DELS AS PREMATURE. SEVERAL LDCS FAVORED SECTOR STUDIES AND PROPOSED FOLLOWING SECTORS: TEXTILES, LEATHER AND SHOES, AND FISH.

6. AUSTRALIA, JAMAICA AND LATER SWITZEGLUMD PRE-FERRED EXAMINATION OF ONE OR TWO SECTORS AT MOST

ON PILOT BASIS. SWISS SAID MAJOR EFFORTS IN MTN
SHOULD BE ON CURRENT WORK ON GENERAL APPROACHES.
AUSTRALIA SUGGESTED EXAMINATION OF COPPER OR NON-
FERROUS METALS GROUP WHILE JAMAICA SUGGESTED TEXTILES
AND LEATHER PRODUCTS.

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FM USDEL MTN GENEVA

TO SECSTATE WASHDC PRIORITY 51

INFO AMEMBASSY BELGRADE

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7. EC AND JAPAN MAINTAINED POSITION TAKEN IN GROUP 3(C) THAT SPECIFIC SECTOR STUDIES PREMATURE. STRESSED NEED TO FOCUS ON GENERAL QUESTIONS DISCUSSED BY SECRETARIAT IN MTN/3C/1. THESE INCLUDE QUESTIONS OF RECIPROCITY, SECTORAL NETOTIATING OBJECTIVES, CRITERIA FOR ISOLATING PRODUCTS FOR SECTOR NEGOTIATIONS, INTERESTS OF LDC'S ETC. BOTH RECOMMENDED WAITING UNTIL PROGRESS MADE IN CHOOSING GENERAL TARIFF FORMULA BEFORE LAUNCHING INTO SECTOR STUDIES. EC STATED, IN ADDITION, THAT TEN SECTORS SUGGESTED BY U.S. AND CANADA WERE EXCESSIVE. IN SWITCH OF POSITIONS TAKEN AT GROUP 3(C) MEETING, ARGENTINA AND BRAZIL STATED THEY HAD REEVALUATED VIEWS ON SECTOR APPROACH (CITING SECRETARIAT PAPER) AND INDICATED THAT THEY HAD NEW DOUBTS ABOUT USEFULNESS OF SECTOR NEGOTIATIONS AND WERE NOW MORE CAUTIOUS ON MOVING AHEAD TOO QUICKLY IN AREAS OF SECTORS WORK. SECTOR APPROACH NOW VIEWED BY THESE DELS AS MARGINAL COMPARED TO GENERAL APPROACHES.

8. ALMOST ALL LDCS STATED THAT SECTOR APPROACH NEEDS TO BE EXAMINED FROM POINT OF VIEW OF INTEREST TO LDCS. INDIA SUGGESTED THAT SECRETARIAT UNDERTAKE MORE DETAILED EXAMINATION OF PRODUCT SECTORS OF INTERST TO LDCS, FOCUSING ON APPROPRIATENESS OF SECTOR NEGOTIATIONS FOR LDCS AND RELATIONSHIP TO CONCERNS OF LDCS ABOUT MAINTENANCE AND IMPROVEMENT OF GSP AND SPECIAL AND MORE FAVORABLE TREATMENT FOR LDC EXPORTS (SEE PARA 68, MTN/3C/1). NO DISAGREEMENT TO THIS PROPOSAL WAS EXPRESSED BY DELS AND THE SECRETARIAT AGREED TO CARRY OUT SUCH EXAMINATION. IN RESPONSE TO U.S. QUESTION, SECRETARIAT CONFIRMED THAT NO NEGOTIATING HYPOTHESES WOULD BE USED IN THIS STUDY.

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9. TO SEE WHETHER A CONSENSUS COULD BE REACHED ON WORK PROGRAM OF SECTORS GROUP IN LIGHT OF WIDELY DIVERGENT INITIAL POSITIONS, TOMIC HAIRED SMALLER MEETING TO WHICH BIG FOUR PLUS OTHER MAIN DISCUSSANTS (AUSTRALIA, SWITZERLAND, SWEDEN, BRAZIL, INDIA, PAKISTAN, BOLIVIA) INVITED. TOMIC SIDED WITH VIEW THAT ONE OR MORE SECTOR STUDIES SHOULD BEGIN NOW. TO NARROW FIELD OF STUDIES AND PICK UP SUPPORT OF OTHERS, CANADA AND U.S. AGREED ON COMPROMISE CHOICE OF SECTORS: ALL METAL PRODUCTS CONTAINED IN GATT TARIFF STUDY SECTOR 08 (ORES, METALS, AND METAL PRODUCTS). THIS INCLUDES TWO U.S. PRIORITY SECTORS (IRON/STEEL, ALUMINUM) AND THE NONFERROUS METALS PUSHED BY CANADA. METALS SECTOR IS ALSO OF TRADE INTEREST TO MANY LDCS. AUSTRALIA AGREED WITH THE CHOICE OF METALS SECTOR WITH ADDITION OF ALUMINA, WHICH IS LOCATED IN CHEMICALS SECTOR OF GATT STUDY (BTN #28.20). HOWEVER, EC STATED THAT METALS SECTOR IS TOO BROAD AND STILL PREFERRED NO STUDIES AT THIS TIME; PERHAPS STUDIES MIGHT BE AGREED IN MAY AFTER NEXT TARIFF GROUP MEETING. PAKISTAN AND INDIA STATED THAT PRODUCTS OF GREATER INTEREST TO THEM-- TEXTILES AND LEATHER -- SHOULD BE EXAMINED AND WOULD AGREE ONLY TO SECRETARIAT EXAMINATION OF ALL SECTORS SUGGESTED BY VARIOUS DELEGATIONS. BRAZIL AND BOLIVIA INDICATED THEY WERE NOT READY TO AGREE TO METALS STUDY ALONE. SWITZERLAND CONTINUED TO ARGUE FOR ONLY ONE NARROWLY DEFINED SECTOR FOR STUDY. JAPAN COULD SUPPORT ONE SECTOR STUDY AS LONG AS LEATHER NOT CHOSEN. IF ONLY ONE SECTOR WERE CHOSEN, U.S. DEL SUGGESTED THAT IT BE IRON/STEEL: BUT CANADA OPPOSED THIS (CLARK SAID PRIVATELY THAT CANADA FEARFUL HOW U.S. WANTS TO HANDLE IRON/STEEL IN MTN). NO ONE SUPPORTED CHEMICALS, ELECTRONICS OR ELECTRICAL MACHINERY. MEETING ADJOURNED WITH NO AGREEMENT REACHED AMONG PRINCIPALS.

10. AT FINAL HALF-DAY SESSION, U.S. AND CANADA LOBBIED VARIOUS PRINCIPAL DELS AND OBTAINED AGREEMENT OF KEY DELEGATIONS TO SUPPORT METALS STUDY AS PRIORITY. CANADA WITHDREW ITS PROPOSAL ON APPLYING TARIFF NEGOTIATING HYPOTHESES. EC AND NORDICS AGAIN ARGUED THAT METALS WAS NOT ONE BUT MANY SECTORS AND, HENCE, U.S.- CANADA PROPOSAL WAS TOO BROAD TO OBTAIN MEANINGFUL RESULTS IN SHORT TIME. EC WOULD AGREE TO ONE OR TWO SECTORS, AND THEN PROPOSED

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IRON/STEEL OR WOOD PRODUCTS FOR EXAMINATION. AFTER LATTER EC INTERVENTION, NORDICS SHIFTED SUPPORT TO U.S.- CANADA PROPOSAL TO STUDY METALS. AFTER BRIEF RECESS, EC STATED

ITS RESERVATIONS ABOUT CHOOSING THE BROAD AREA OF METALS BUT IT WOULD GO ALONG WITH MAJORITY IF SECRETARIAT COULD PRODUCE DATA ON TIMELY BASIS.

1. AS RESULT OF MEETING, SECTORS GROUP ADDED TWO NEW TASKS TO WORK PROGRAM: (1) SECRETARIAT COMPILATION OF INFORMATION ON CURRENT AND RECENT TRADE, TARIFFS, NTMS (SPECIFIC AND GENERAL), PRODUCTION AND CONSUMPTION FOR GATT SECTOR 08 WITH STUDY TO BE CONCLUDED IN JUNE; (2) SECRETARIAT STUDY OF RELEVANCE AND BENEFITS OF SECTOR NEGOTIATIONS FOR LDCS (SEE PARA 8 ABOVE.) WHILE THE GENERAL OUTLINE OF THE SECTOR STUDY IS KNOWN, THE U.S. DEL WILL WORK WITH SECRETARIAT TO ASSURE DETAILS OF STUDY IN ACCORD WITH OUR INTERESTS.

12. TEXT OF CHAIRMAN'S SUMMING UP SENT SEPTTEL.

13. COMMENT: MEETING WAS SUCCESSFUL IN THAT IT OVERCAME EC, JAPAN AND OTHER STRONG OPPOSITION TO PRINCIPLE OF STARTING SECTOR STUDIES AT THIS TIME BEFORE PROGRESS MADE IN TARIFF AND NTM GROUPS, SECTOR OF HIGHEST U.S. PRIORITY, IRON AND STEEL, IS INCLUDED IN INITIAL LIST ALONG WITH ALUMINUM. IT WAS NOT POSSIBLE TO GET AGREEMENT ON OTHER THREE SECTORS FAVORED FOR STUDY BY U.S., GIVEN CURRENT VIEWS OF OTHER DELS. IT IS UNDERSTOOD THAT ADDITIONAL SECTOR STUDIES MAY BE DECIDED UPON IN FUTURE MEETINGS. WE WOULD THEN BE IN A BETTER POSITION TO URGE EXAMINATIONS OF ADDITIONAL U.S. PRIORITY SECTORS. MCNAMARA

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